

## Message Text

LIMITED OFFICIAL USE

PAGE 01 CANBER 02675 01 OF 02 010813Z

20

ACTION EB-07

INFO OCT-01 EUR-12 EA-06 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

/108 W

----- 119500

P R 010524Z MAY 75

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC PRIORITY 5597

INFO USMISSION GENEVA

USMISSION OECD PARIS

USDEL MIN GENEVA

AMCONSUL BRISBANE BY POUCH

AMCONSUL MELBOURNE BY POUCH

AMCONSUL PERTH BY POUCH

AMCONSUL SYDNEY BY POUCH

AMEMBASSY TOKYO BY POUCH

AMEMBASSY WELLINGTON BY POUCH

LIMITED OFFICIAL USE SECTION 1 OF 2 CANBERRA 2675

SYDNEY ALSO PASS USTC

E.O. 11652: NA

TAGS: ETRD, GATT, OECD, AS

SUBJ: AUSTRALIAN TRADE RESTRICTIVE MEASURES:

GOA RATIONALE

REF: A. CANBERRA 2590

B. STATE 096416 (NOTAL)

C. CANBERRA 2623

D. CANBERRA 2597

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 CANBER 02675 01 OF 02 010813Z

1. SUMMARY. THIS IS 2ND OF 4 TELS ASSESSING RECENT GOA

MEASURES TO RESTRICT IMPORTS. CENTRAL CONCERN OF LABOR GOVERNMENT IN IMPOSING MEASURES CLEARLY HAS BEEN TO MAINTAIN, OR AT LEAST AMELIORATE DETERIORATION IN, LEVELS OF EMPLOYMENT IN INDUSTRIES CONCERNED. BALANCE OF PAYMENTS CONSIDERATIONS HAVE BEEN OF RELATIVELY LITTLE IMPORTANCE IN OUR VIEW. SURGING IMPORT LEVELS OF COURSE HAVE FIGURED PROMINENTLY IN DISCUSSIONS, BUT FROM STANDPOINT OF MARKET DISRUPTION EFFECT RATHER THAN IMPACT ON TRADE BALANCE. ACTIONS ON TEXTILES HAVE BEEN TAKEN OUTSIDE GATT TEXTILES ARRANGEMENT ON GROUNDS THAT BASE PERIOD UNDER ARRANGEMENT WOULD INCLUDE MONTHS IN WHICH LEVEL OF IMPORTS ABNORMALLY HIGH, THUS PERPETUATING DISRUPTION. OUR EVALUATION OF GOA RATIONALE IS THAT SUCH DATA AS WE CAN DEVELOP, WHICH ARE USUALLY NOT SUFFICIENTLY DISAGGREGATED, CONFIRM SIMPLE FACTS OF DECLINING EMPLOYMENT LEVELS AND BURGEONING IMPORTS, BOTH OF WHICH NOW LEVELING OFF, HOWEVER. WE ARE UNABLE TO JUDGE WHETHER AUSTRALIA HAS BEEN ANY MORE SERIOUSLY AFFECTED THAN ITS GATT, OECD TRADING PARTNERS BY CURRENT ECONOMIC TRENDS. END SUMMARY.

2.A SAMPLING OF TEMPORARY ASSISTANCE AUTHORITY (TAA) REPORTS REFLECTS OVERRIDING CONCERN OF LABOR GOVERNMENT WITH EMPLOYMENT LEVELS. ANALYSIS USUALLY RUNS ALONG THESE LINES: DURING DOMESTIC DEMAND BOOM OF 1973 LOCAL PRODUCTION INCREASES HELD BACK BY LABOR AND MATERIALS SHORTAGES. THIS, COUPLED WITH 25PCT. ACROSS-THE-BOARD TARIFF CUT AND SIZE-ABLE EFFECTIVE REVALUATION OF AUSTRALIAN DOLLAR 1972 AND 1973, LED TO DRAMATIC INCREASES IN RATE OF IMPORTING. IN SOME CASES (E.G. TIRES), BASED ON RUMORS OF LOCAL SHORTAGES, IMPORTERS REPORTED TO HAVE PLACED DUPLICATE ORDERS TO ENSURE DELIVERIES. AT SAME TIME ESCALATING COSTS PLACED LOCAL MANUFACTURERS AT INCREASING PRICE DISADVANTAGE WITH IMPORTS (E.G. SUNGLASSES). AS DOMESTIC DEMAND BEGAN TO FALL OFF IN EARLY 1974, IMPORTS CONTINUED TO ARRIVE AND INVENTORIES TO BUILD UP. MANUFACTURERS FACED CHOICE OF CARRYING EXCESSIVE INVENTORIES (WHICH BALL-BEARING INDUSTRY ALLEGES IT IS NOW DOING) OR REDUCING PRODUCTION AND RETRENCHING STAFF (45 FOOTWEAR MANUFACTURERS REDUCED EMPLOYMENT IN 1974, 31 SHUT DOWN COMPLETELY). SEPTEMBER 1974 12 PCT. DEVALUATION OF \$A, WHERE IT IS ALLUDED TO AT ALL IN TAA STUDIES, APPARENTLY IS REGARDED AS NOT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 CANBER 02675 01 OF 02 010813Z

HAVING HAD SUFFICIENT TIMELY EFFECT. (ALTHOUGH SOME OBSERVERS AGREE IT MIGHT HAVE MORE THAN WIPED OUT EFFECT OF 25 PCT 1973 TARIFF REDUCTION.)

3. SAME CONSIDERATIONS EVIDENT IN TEXTILES AUTHORITY (TA) STUDIES OF LOCAL PROTECTION REQUEST WITH ADDITIONAL DISCUSSION OF EFFECTS OF GATT TEXTILES ARRANGEMENT. ALTHOUGH TA COMMENTS SEEMED TO ASSUME WORKING THROUGH

ARRANGMENT, IT ALSO COMMENTED AT SOME LENGTH ON BASE YEAR PROBLEM AND NEED FOR RESTRAINTS ON ALL MAJOR SUPPLIERS OF TEXTILE IMPORTS, NOT JUST THOSE WHOSE EXPORTS FOUND TO HAVE DISRUPTED MARKET. AS RESULT GOA IN EARLY DECEMBER APPARENTLY DECIDED ON UNILATERAL, ACROSS-THE-BOARD TQ APPROACH. WE ALSO UNDERSTAND, ALTHOUGH THIS IS NOWHERE DOCUMENTED, THAT GOA WAS NOT HAPPY WITH TIME-CONSUMING VOLUNTARY RESTRAINT NEGOTIATIONS WITH HONG KONG, INDIA, THE PRC, AND SOUTH KOREA.

4. FURTHER LIGHT ON GOA RATIONALE IS PROVIDED IN CASES WHERE DECISION TAKEN NOT RPT NOT TO TAKE SHORT-TERM PROTECTIVE ACTION. FROM THESE IT IS APPARENT THAT REQUESTED ACTION MUST BE SHOWN TO E POTENTIALLY EFFECTIVE IN ASSISTING AILING INDUSTRY. IN CASE OF CERTAIN PLASTIC PRODUCTS TAA COMMENTED THAT LOSS OF DOMESTIC SALES WAS DUE ENTIRELY TO COLLAPSE IN DOMESTIC DEMAND FOR ACRYLIC SHEET WHICH ADDITIONAL ASSISTANCE WOULD NOT REMEDY. IN CASE OF FINE PAPERS TAA FOUND IMPORTS ALREADY AT LOW LEVEL AND LOCAL PRODUCERS AT NO PRICE DISADVANTAGE AT EXISTING RATES OF DUTY. IN CHAIN SAWS CASE SINGLE LOCAL FIRM REQUESTING PROTECTION WAS FOUND TO BE NEW TO THE MARKET, WITH A PRODUCT ALREADY PRICED LOWER THAN COMPETING IMPORTS, WHICH SIMPLY HAD NOT FOUND MARKET ACCEPTANCE. THE FACT THAT TAA IS AWARE OF POSSIBLE ABUSE OF TEMPORARY ASSISTANCE PROCEDURES IS SUGGESTED IN COLOR TV REPORT WHICH STATES THERE "NO REASON TO RESTRICT AVAILABILITY TO CONSUMERS MERELY TO ENFORCE POSTPONEMENT OF PURCHASE SO THAT LOCAL MANUFACTURERS MAY BE ABLE TO MAKE SALES AS AND WHEN THEY WISH."

5. INDUSTRY BY INDUSTRY EMPLOYMENT DATA ARE AVAILABLE ONLY IN FAIRLY AGGREGATED FORM. IT IS CLEAR FROM THIS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 CANBER 02675 01 OF 02 010813Z

DATA THAT, NOT SURPRISINGLY IN CURRENT ECONOMIC CONDITIONS, EMPLOYMENT LEVELS HAVE DECLINED SERIOUSLY, AS SHOWN IN THE FOLLOWING TABLE TAKEN FROM A DEPARTMENT OF LABOR AND IMMIGRATION SURVEY OF LARGE PRIVATE FACTORIES (THOSE WITH 100 OR MORE EMPLOYEES AND MOST OF THOSE WITH 50-100 EMPLOYEES).

ALL GROUPS, EXCEPT  
FOOD, DRINK, AND CLOTHING AND TEXTILES  
TOBACCO

PCT.CHANGE PCT.CHANGE  
LEVEL FROM PREV. LEVEL FROM PREV.

JUNE 74	590,969	-0.09	81,759	-2.45
JULY	589,127	-1.83	77,532	-5.17
AUG	576,558	-0.62	76,331	-1.62
SUPT	568,810	-1.34	72,402	-5.15
OCT	556,366	-2.19	67,692	-6.51
NOV	542,301	-2.53	64,827	-4.23
DEC	534,770	-1.39	63,020	-2.79
JAN 75	516,091	-2.31	60,455	-2.84
FEB	509,301	-1.32	59,368	-1.80
MAR	506/205	-0.61	58,966	-0.68

THE ALL GROUPS LEVEL (EXCLUDING FOOD, DRINK AND TOBACCO EMPLOYMENT WHICH IS SEASONAL) DECLINED BY 14.34 PCT. IN THIS PERIOD, WHILE IN CLOTHING AND TEXTILES THE DECLINE WAS A SIZEABLE 27.88 PCT. DURING THE SAME PERIOD THE NATIONAL UNEMPLOYMENT RATE, OT SEASONALLY ADJUSTED, ROSE FROM 1.34 PCT. IN JUNE TO 4.54 PCT. IN MARCH, HIGHEST FIGURE SINCE SUCH DATA HAVE BEEN COMPILED IN AUSTRALIA.

6. WHILE THESE FIGURES DO NOT PRESENT A SPECIFIC PICTURE OF THE EMPLOYMENT SITUATION IN SECTORS INVOLVED IN RECENT IMPORT RESTRAINT ACTIONS, THEY GIVE A GOOD INDICATION OF WHAT IT HAS RECENTLY BEEN IN AN AREA WHERE TRADE UNION INFLUENCES ARE STRONG. HE GOVERNMENT THEREFORE WATCHES MOVEMENTS OF THESE STATISTICS WITH PARTICULAR ATTENTION. I MAY BE NOTEWORTHY THAT THE RATE OF DECLINE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 05 CANBER 02675 01 OF 02 010813Z

IN EMPLOYMENT IN CLOTHING AND TEXTILES PEAKED IN OCTOBER. THESE RESULTS WOULD HAVE BEEN AVAILABLE ABOUT MID-NOVEMBER; THE NEW IMPORT POLICY, WHICH STRESSED TEXTILES PROTECTION, WENT INTO EFFECT IN EARLY DECEMBER. DECEMBER

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 CANBER 02675 02 OF 02 010817Z

20

ACTION EB-07

INFO OCT-01 EUR-12 EA-06 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

/108 W

----- 119554

P R 010524Z MAY 75

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC PRIORITY 5598

INFO USMISSION GENEVA

USMISSIO

OECD PARIS 804

USDEL MIN GENEVA

AMCONSUL BRISBANE BY POUCH

AMCONSUL MELBOURNE BY POUCH

AMCONSUL PERTH BY POUCH

AMCONSUL SYDNEY BY POUCH

AMEMBASSY TOKYO BY POUCH

AMEMBASSY SELLINGTON BY POUCH

LIMITED OFFICIAL USE SECTION 2 OF 2 CANBERRA 2675

SYDNEY ALSO PASS USTC

7. THERE IS ALSO NO REASON TO QUESTION THAT IMPORTS OF GOODDS ON WHICH PROTECTIVE ACTION HAS BEEN TAKEN HAVE INCREASED DRAMATICALLY UNTIL RECENTLY. REF (A), PARAGRAPHS 3 AND 4 GIVES LEVELS OF IMPORTS OF GOODS DURING FINANCIAL YEAR 73 AS COMPARED TO FINANCIAL YEAR 74 BY VOLUME. IN ONLY TWO CASES WERE INCREASES LESS THAN 20 PCT., IN 6 CASES 20-40 PCT., 5 CASES 40-60 PCT., 3 CASES 60-80 PCT., IN ONE CASE 80-100 PCT., AND IN EIGHT CASES MORE THAN 100 PCT. THE DRAMATIC MONTHLY LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 CANBER 02675 02 OF 02 010817Z

RISES IN IMPORTS SEEM TO HAVE SUBSIDED, HOWEVER, AT LEAST FOR THE PRESENT. THIS IS SHOWN IN THE FOLLOWNG SERIES OF FIGURES (SEASONALLY ADJUSTED):

IMPORTS

PCT. CHANGE FROM

\$A MILLION PREVIOUS MONTH

JUNE 74 633 MINUS 6.5

JULY 698 PLUS 10.3

AUG 718 PLUS 2.9

SEPT	760	PLUS 5I
OCT	722	MINUS 5.0
NOV	721	MINUS 0.1
DEC	707	MINUS 1.9
JAN 75	682	MINUS 3.5
FEB	613	MINUS 10.1
MAR	617	PLUS 0.7

WE DO NOT BELIEVE THIS DECLINE HAS BEEN PRIMARILY THE RESULT OF AUSTRALIAN IMPORT RESTRAINT ACTIONS, HOWEVER; IT IS MORE LIKELY ONE OF THE EFFECTS OF DOMESTIC RECESSION.

8. COMMENT. AUSTRALIAN UNEMPLOYMENT IS INDISPUTABLY A SERIOUS DOMESTIC PROBLEM, PARTICULARLY TO A GOVERNMENT WHOSE CONSTITUENCY IS MAINLY URBAN WORKING CLASS. IN ADDITION THE ECONOMY DID FACE EXCEPTIONALLY SHARP IMPORT INCREASES IN 1973/74. MOREOVER, IT CANNOT BE DENIED THAT THESE INCREASES WERE IN SOME PART THE RESULT OF TARIFF REDUCTIONS INTRODUCED IN 1973.

9. GOA DEFENSE OF THESE ACTIONS RELIES HEAVILY ON PREMISES (1) THAT MANY OF ACTIONS ARE ON ITEMS UNBOUND IN GATT, AND THAT TARIFF QUOTAS ON SUCH ITEMS ARE WHOLLY WITHIN UNILATERAL DISCRETION; AND (2) THAT OECD DECLARATION AND MFA DO NOT RESTRICT GOA FREEDOM TO EXERCISE ALL RIGHTS UNDER GATT. WITH EXCEPTION OF FEW CASES IN WHICH GOA ACTION HAS INVOLVED PENETRATION OF GATT BINDING THEREFORE SUCH QUESTIONS AS IMPORT LEVELS AND DOMESTIC IMPACT ARE SUBJECT IN GOA VIEW TO THE PRIOR QUESTIONS OF WHETHER AGGREGATE OF SECTOR ACTIONS INFRINGE OECD DECLARATION, HIGH EX-TARIFF QUOTA DUTIES ON LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 CANBER 02675 02 OF 02 010817Z

UNBOUND ITEMS APPROXIMATE QR'S AND TEXTILE ACTIONS JUSTIFIABLE UNDER GATT VIOLATE MFA. GOA BELIEVES IT HAS BEEN PUNCTILIOUS PROCEDURALLY WHERE INTERNATIONAL OBLIGATIONS EXIST AND IS SHOWING INCIPIENT TESTINESS OVER GENERALIZED REPRESENTATIONS AGAINST TREND OF ITS IMPORT POLICIES.GREEN

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, TRADE CONTROLS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 01 MAY 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975CANBER02675  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750153-0152  
**From:** CANBERRA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750587/aaaadbxxg.tel  
**Line Count:** 318  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 6  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 CANBERRA 2590  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 MAY 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16 MAY 2003 by CunninFX>; APPROVED <19 MAY 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** AUSTRALIAN TRADE RESTRICTIVE MEASURES: GOA RATIONALE  
**TAGS:** ETRD, AS, GATT, OECD  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006